

# CANNABIS REGULATION

COMMISSION

April 28, 2022, 2:00 p.m. (877) 853 - 5257 | Meeting ID: 860-838-7310 #

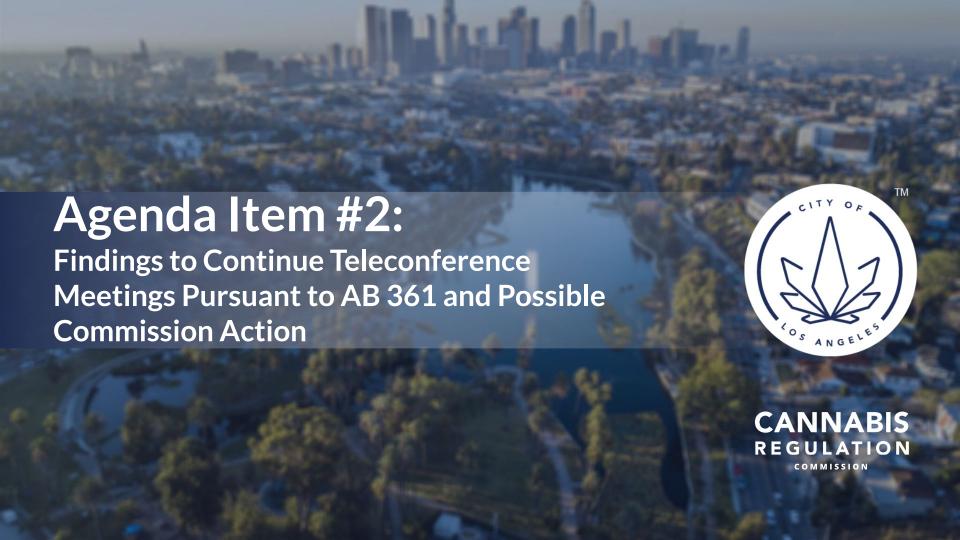


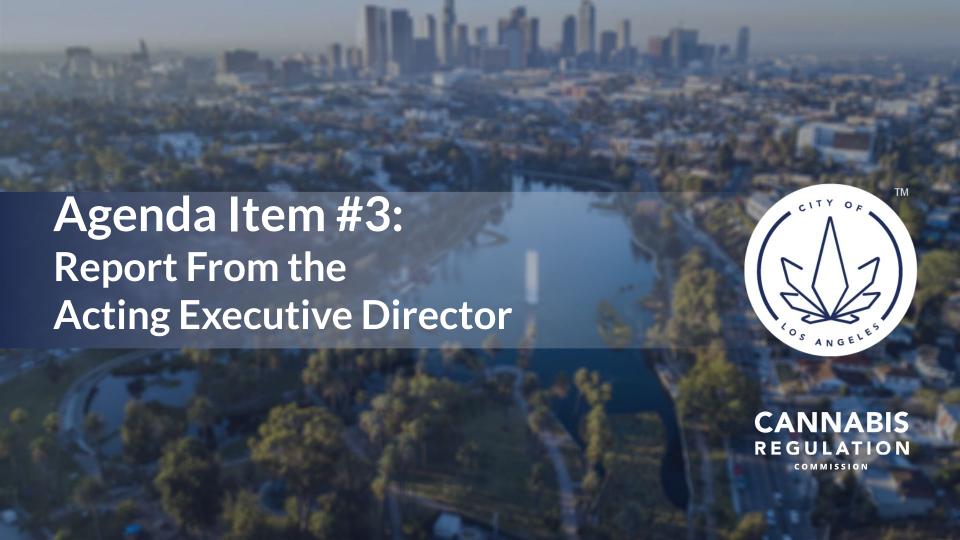
### Roll Call



# General Public Comment & Single / Multiple Agenda Item Comment









## Agenda Item #3: END.



#### Licensing - Improvements



- Concerns:
  - "The Application process has gotten more difficult and challenging over time"
- Improvements:
  - The original law in 2018 would have required non-Phase 1 Applicant to receive an Annual License before operating.
    - At this time, the State would be the lead agency for CEQA and a State annual license was a prerequisite to a complete local application.
  - In 2018, Temporary Approval was only available to Phase 1 Applicants.
    - DCR pushed to make Temporary Approval available to Phase 2 Applicants.
    - DCR pushed an amendment to Temporary Approval available to all Applicants which was adopted by policymakers in 2020.

#### Licensing - Improvements



#### Improvements:

- DCR has created dedicated forms to capture the required information in a consistent manner which meets the requirements listed in the Municipal Code.
- DCR has streamlined document review and removed requirements which were unnecessary in over 90% of applications.
- DCR has broken up the licensure process into smaller segments which provides quicker feedback before material business decisions are required to be submitted, reduces the upfront costs Applicants pay to receive eligibility determinations, and.
- Overall, the process is simpler, faster, less cumbersome, and less expensive than it was in 2018, 2019, or 2020.



#### **Licensing Program Updates:**

#### No. of Business Premises By Phase and Record Status

Data Updated: April 20, 2022	Lice Busin	nsed esses			usinesses in the plication Pipelin		30	
	Annual Licenses Issued LIC	Temporary Approvals Issued	Pending TA Application "Local Compliance Underway"  APP	Pending Temporary Approval (TA) Applications	Pending Public Convenience or Necessity (PCN) Requests PCN	"Eligible for Further Processing" PREAPP	Pending Pre-Applications PREAPP	Total Number of Businesses by Phase
LAMC 104.07 (Phase 1)	0	191	6	24	N/A	N/A	N/A	221
LAMC 104.08 (Phase 2)	0	360	19	83	N/A	N/A	N/A	462
LAMC 104.06.1(b) (Phase 3 Retail Round 1)	0	53	36	120	N/A	0	0	209
LAMC 104.06.1(d) (PCN)	0	0	3	2	0	0	0	5
LAMC 104.06.1(e)/(f) (Delivery/Non-Retail)	0	51	50	59	N/A	21	19	200
General Application Processing	0	31	22	13	N/A	11	14	91
LAMC 104.09 (Testing Labs)	0	5	2	2	N/A	0	0	9
Total Number of Businesses by Stage	0	691	138	303	0	32	33	1197



## Licensing Program Updates: No. of Active Temporary Approvals by Phase

Data Updated: April 20, 2022

31		Retail Lice	nse Types			No	n-Retail Li	cense Typ	oes		
	Retail Storefront	Retail Storefront (Microbusiness)	Retail Non-Storefront (Delivery)	Retail Non-Storefront (Microbusiness)	Cultivation	Cultivation w/o Canopy	Distribution	Distribution Transport Only	Non-Volatile Manufacturing	Testing	Total Number of Licenses by Phase
LAMC 104.07 (Phase 1)	165	25	N/A	N/A	109	0	121	1	100	N/A	521
LAMC 104.08 (Phase 2)	N/A	N/A	2	0	285	N/A	254	0	220	N/A	761
LAMC 104.06.1(b) (Phase 3 Retail Round 1)		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	53
LAMC 104.03 Public Convenience or Necessity	[1	0	N/A	N/A	0	N/A	N/A	N/A	N/A	N/A	0
LAMC 104.06.1(e)/(f) (Delivery/Non-Retail)		N/A	50	1	0	0	5	N/A	1	N/A	57
General Application Processing	N/A	N/A	N/A	N/A	0	0	24	2	17	N/A	43
LAMC 104.09 (Testing Labs)	NI/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5	5
Total Number of Licenses by Type	718	25	52	1	394	0	404	3	338	5	1440





- Nine of the interim positions, including all of the new licensing positions, are scheduled for Civil Service Commission on Thursday, April 28, 2022; if allocated, DCR may begin the hiring process on Monday, May 2, 2022.
- Summary of Key Budget Items:
  - Continues the 37 positions in the FY 2021-22 Adopted Budget
  - Continues the 21 interim positions approved during FY 2022-23.
    - Includes three City Attorney positions (two attorneys and one paralegal) to support DCR.
    - Includes two Finance Customer Service Specialist positions to support the payment processing and Cannabis Unit public counter.
  - \$3 million was allocated to the Unappropriated Balance (UB) to support the Business, Licensing, & Compliance components of the Social Equity Program.



#### Licensing - Summary of Ordinance Amendments

- Summary of Key Amendments:
  - Amends the definitions of "Owner" and "Primary Personnel";
  - Establishes processing timelines for Applicants and DCR to ensure applications are processed towards licensure in a timely manner;
  - Creates a refiling process for Temporary Approval Applications deemed abandoned after January 1, 2022; and,
  - Creates a standalone Social Equity Applicant Entity Verification process that may, at the Applicant's option, occur earlier in the licensing process.

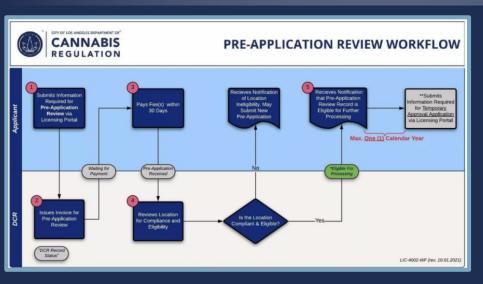


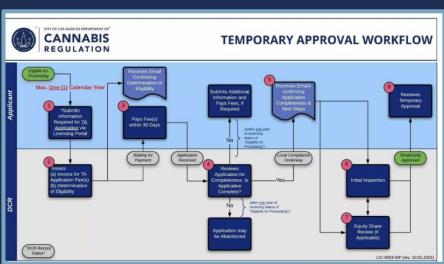


- "Owner" means a <u>Person</u> with at least a 20% aggregate ownership stake or equity interest in the Applicant or Licensee. Aggregate means the total ownership interest held individually or through an entity.
  - "Person" includes any individual, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit, and the plural as well as the singular.
- "Primary Personnel" includes any of the following: (i) a natural person with at least a 20% aggregate ownership stake or equity interest; (ii) a natural person who manages, directs, or controls the operations of the commercial cannabis business; (iii) if the Applicant or Licensee is owned in whole or in part by an entity and the entity includes natural persons who manage, direct, or control the operations of the Applicant or Licensee, those natural persons shall also be disclosed as Primary Personnel; and (iv) DCR may determine, that additional natural persons have the ability to manage, direct, or control the commercial cannabis business and meet the criteria of Primary Personnel.



## Pre-Application Review and Temporary Approval Application Workflows





## Licensing - Pre-Application Review & Temporary Approval Application Processes

#### Pre-Application Review

- Within 30 days of payment of the Pre-Application Review Fee, DCR shall complete its review of the Pre-Application Review record. Once submitted, the record data, including the proposed business premises address, may not be amended.
- The Pre-Application Review process is site specific.
- When an analyst begins their review, the required information is present on the record or it's not. Pre-Application Review records that are incomplete or missing required information, forms or documents shall not be eligible for further processing.
- Pre-Application Review records may not be amended.





- Temporary Approval (TA) Application
  - Within 60 days of payment of Application Fee(s), DCR shall complete its review of the Application record.
  - If all required information, forms and documents are in the correct form and manner, the record will receive a status of "Local Compliance Underway".
  - O If Application is incomplete, the record will receive a status of "Additional Info Needed." Processing of the Application shall be suspended until the Application has been corrected. The Applicant will have <u>30-days</u> to pay the applicable re-review fee(s) <u>and</u> complete the application. Incomplete Temporary Approval Application records may be deemed <u>abandoned</u> after the first or second review and shall be deemed <u>abandoned</u> after the third review.



#### Licensing - Temporary Approval cont.

- Temporary Approval (TA) Application cont.
  - "Local Compliance Underway" is equivalent to a filed Temporary Approval Application.
  - TA Application records with a status of "Local Compliance Underway" may request an Initial Inspection.
    - DCR shall schedule an Initial Inspection within 45 days of the request.
  - The assigned licensing analyst will conduct the Equity Share (ES) review, if applicable. Previously, ES review was overseen by the social equity group.
  - Within 15 days completing the ES review (if applicable) or passing an Initial Inspection, whichever occurs last, DCR will update the TA Application record to "Temporarily Approved" and notify the Applicant.



#### Licensing - Application Modifications

- Application Modifications
  - The Business Premises location deemed eligible for further processing through the Pre-Application Review process shall not be amended while the associated Temporary Approval Application is pending.
  - Applicants may submit modification requests through the DCR Licensing Portal for a period of 60 days after the submission of a Temporary Approval Application to amend information, forms and/or documents submitted as part of the Temporary Approval Application record, subject to the payment of any required modification fee(s) in LAMC Section 104.19.
    - Temporary Approval Application modification requests shall not be accepted after the 60 day period.
  - Application processing shall be suspended during the Modification process.

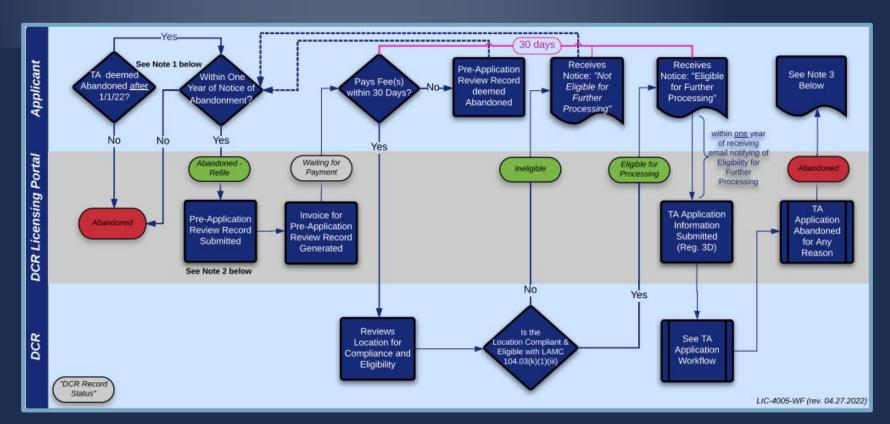


#### Licensing - Application Modifications

- Application Modifications cont.
  - The types of modification requests an Applicant may submit during the 60-day window after submission of a Temporary Approval (TA) Application are: Legal name change; Fictitious Business Name (FBN)/Doing Business As (DBA); Entity Substitution; Remove Commercial Cannabis Activity; Business Premises diagram; Ownership structure; Addition of Owner(s); Removal of Owner(s); and, Withdrawal.
  - New TA Application records will only be issued for Entity Substitution or 100%
     Ownership change requests.
    - If 100% of the Level 1 Owners change, it is considered a 100% ownership change regardless of whether or not the Owners move to another level.

#### TA Application Refiling Workflow









- Temporary Approval Applications deemed abandoned under Section 104.03(h) after January 1, 2022, may refile an Application subject to specific requirements.
- To refile, the Applicant shall submit a new Pre-Application Review record.
  - If the new record is ineligible for further processing, the Applicant may submit a new record(s) identifying a new Business Premises location(s), subject to the payment of applicable fee(s), and provided that the new record is submitted within the original one (1) calendar year time limitation.





- A refiled Temporary Approval Application is not subject to a finding of Undue Concentration.
  - Applications subject to Phase 2 requirements, are not subject to a finding of "Undue Concentration".
  - Applications subject to Phase 3 Retail Round 1 requirements deemed eligible for further processing under Section 104.06.1(b)(7) after January 1, 2021, <u>shall</u> <u>not be included in the calculation of "Undue Concentration"</u>, as defined in Section 104.01(a)(49).





- The refiled record may not seek authorization to conduct any Commercial Cannabis
   Activities not listed in the original Temporary Approval Application or outside the
   Community Plan Area listed in the original Temporary Approval Application.
  - Applications originally subject to a finding of public convenience or necessity must be refiled at the same proposed Business Premises.
  - A refiled Temporary Approval Application is not subject to a finding of Undue Concentration.
- A refiled Temporary Approval Application that is later deemed abandoned for any reason may not be refiled.



#### Licensing - Environmental Analysis

- Environmental Analysis:
  - The Pre-Application Review and Temporary Approval Application process make-up an Applicant's draft project description.
  - For records with a status of, at least, "Local Compliance Underway", the DCR reports to the State: "Project Description Under Review" and "CEQA Compliance Underway"
  - When Temporary Approval is granted, a business may file their final project description. DCR will begin accepting final project descriptions in April.
  - DCR must conduct the environmental analysis associated with the final project description before an Application can be deemed complete and Annual Application fees paid.



#### Licensing - Environmental Analysis cont.

- DCR is authorized to use the Department of City Planning's internal environmental consultant (Consultant) list to conduct the environmental analysis.
- DCR will begin collecting final project descriptions in April.
- DCR will bundle project descriptions for environmental review and issue Request for Bids (RFBs) to identify Consultants to conduct the analysis.
- Authorized Consultants will have 4-6 weeks to respond to a RFB.
- Consultant bids will be reviewed and Notices to Proceed (NTPs) will be issued to successful bidders (2-4 weeks).
- Consultants will analyze final project descriptions assist DCR with findings.



#### Licensing - SEIA Eligibility Verification

- Social Equity Individual Applicant (SEIA) Eligibility Verification Request Period
  - A 60-day eligibility verification request submission window will open for natural persons to apply to be verified under the revised eligibility requirements in <u>May 2022</u>.
  - DCR has, at least, 90 calendar days to process eligibility verification requests which <u>shall not</u> run concurrently with the 60 day period.
- Phase 3 Retail Round 2 (P3RR2) Lottery
  - DCR will accept registrations for the P3RR2 lottery for a period of 30 days from eligible Social Equity Individual Applicants.
  - Eligible registrations will be entered into the P3RR2 lottery.
    - DCR shall post a notice at least 15 calendar days prior to the lottery.

# Social Equity Individual Applicant (SEIA) Eligibility Verification Request Submission Window

Part 1 - Social Equi	ty Individual Applicant	Eligibility Verification
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Action	Timing	Projected Cumulative Timeline	Notes
Announce the SEIA Eligibility Verification 60-day Window	Formal announcement in early May 2022	Within the next 30 days	No notice requirement/ DCR discretion
SEIA Eligibility Verification process opens	Will open in late May 2022 for a period of 60 days	90 days	LAMC Section 104.06.1(c)(1)
DCR processes SEIA Eligibility Verification requests	DCR has at least 90 days to process;	180 days*	LAMC Section 104.06.1(c)(1)

<sup>\*</sup>It may take DCR more or less time, but the LAMC guarantees DCR has at least 90 days to process all filed verification requests.

#### Phase 3 Retail Round 2 Lottery



Part 2 - Phase 3 Retail Round 2 Lottery\*

Action	Timing	Projected Cumulative Timeline	Notes
Provide technical assistance for the registration process**	45 days***	No Change to Overall Timeline	LAMC Section 104.06.1(c)(2)
Phase 3 Retail Round 2 Lottery Registration Period	30 days	30 days	LAMC Section 104.06.1(c)(2)
DCR shall post a notice of when the lottery will occur	15 days	45 days****	LAMC Section 104.06.1(c)(4)
Lottery	1 day	46 days	LAMC Section 104.06.1(c)(4)
SEIAs selected during the lottery have one year from the date of notification to complete the Pre-Application Review process	One Year	One Year and 46 days	LAMC Section 104.06.1(c)(5)

\*The SEIA must have a prior California Cannabis Arrest or Conviction and must also meet one of the following two criteria, as defined in Section 104.20(b)(1)(i): (1) Low-Income; or (2) ten years' cumulative residency in Disproportionately Impacted Area.

\*\*DCR shall provide technical assistance to prospective or verified SEIAs; technical assistance includes, but is not limited to, access to one or more the following DCR resources: webinars, presentations, and/or access to the Learning Management System (LMS).

\*\*\*Technical Assistance will run parallel to DCR's processing of SEIA Eligibility Verification requests.

\*\*\*\*DCR may post notice in parallel with the registration process.





#### State deadlines:

- March 31, 2023 Deadline for local equity applicants to submit an application to be considered for a provisional license.
- June 30, 2023 Last day for DCC to issue provisional licenses to local equity applicants.
- July 1, 2023 Provisional renewals become subject to additional requirements.
- January 1, 2025 Last day for DCC to renew provisional licenses.
  - An annual State license will be required to continue lawful operations once the provisional State license expires; as part of the State's annual process, DCC shall consider whether the Project has been subject to prior environmental review under CEQA.
- o January 1, 2026 Last day for any provisional license to be in effect.



#### Licensing - Annual License Application

- Prior to the submission of an Annual License Application containing a complete project description, DCR shall consider whether the Project has been subject to prior environmental review under CEQA and, if not, what form of environmental review for the License is appropriate. (Environmental Analysis)
- Submit any missing documents, forms, and/or information needed for a complete application: Labor Peace Agreement updates, Phase 2 equity review, Owner/Primary Personnel updates, etc.
- Annual License Application Process Preview: Final Inspection(s), Community
  Meeting (if applicable), written public comment, Notice (if applicable), Commission
  Hearing (if applicable).



## Agenda Item #4: END.



## Summary of Activities to Date: Social Equity Program



The Mission of the Social Equity Program is, "to promote equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities, and to address the disproportionate impacts of the War on Drugs in those communities."





#### Business, Licensing, and Compliance





# Summary of Activities to Date: Social Equity Program



# Social Equity Program Benefits and Resources

- Application Processing
- Business, Licensing, and Compliance
   Assistance Program
- SEED Grant Program
- Pro Bono Legal Services



### APRIL EVENT SERIES

CANNABIS SECURITY, CASH, AND MANAGEMENT

Monday

**APRIL BEACHSIDE CHAT** 

Thursday

TAX PREDICTION & COMPLIANCE

Tuesday

**ADVANCED SECURITY** 

Thursday

IDENTIFYING FUNDS &

14 RAISING CAPITAL

Thursday

**DIGITAL SECURITY:** 

21 CY

CYBERSECURITY THREAT SIMULATION WITH IBM

Tuesday

ADVANCED INVENTORY

**26** MANAGEMENT

Thursday

ADVANCED TRANSPORTATION

& DELIVERY

**RSVP TODAY:** 

https://tinyurl.com/dcraprilevents





## **April Events Preview**



When?

Fridays, 12 - 5 pm

- March 25
- April 8
- April

- April 1
- April 22

29

THE
BUSINESS
OF
CANNABIS

### What happens on each date?

12 - 1 PM • Retail, Patient & Consumer Safety

1 - 2 PM • Business of Cannabis Retail

2 - 3 PM • Business of Cannabis Delivery

3 - 4 PM • Business of Cannabis Distribution

4 - 5 PM • Business of Cannabis Manufacturing

FREE VIRTUAL CANNABIS BUSINESS ASSISTANCE



April
Virtual
Advising
Sessions

save this link to join!

https://tinyurl.com/businessofcannabis



2-Day Event

March 18th Day-1: Virtual
Educational Programming

March 19th Day-2: Live Los Angeles Trade Tech College 400 W. Washington Blvd. Los Angeles, CA



#### KEYNOTE SPEAKEI TIMEKA DREW

Founder & CEO of Biko & VP of Licensing & Compliance for Eaze

Register @ https://bit.ly/3ok0hjw



- Cannabis 101 for Job Seekers
- Open Q & A with HR Experts
- Job Readiness Webinars



### **Opportunities**

- Job Seeker Support Booth (application, resume, and interview support)
- On-site Interviews and Network with Employers



#### **Expert Panel**

- Industry Experts
- Operators/Employers
- Ancillaries



# GROW 2022 Career Fair

\*Covid Requirements: All attendees must wear a mask at all times and provide proof of vaccination or a negative Covid test 72 hours prior to event to gain entry into Career Fair.





### Virtual Job Networking 10:00 am - 2:00 pm on Apr 28, 2022

Employers can identify and schedule 1-on-1 interviews with candidates from 10:00 am to 2:00 pm PDT.

Job placement activities in Cannabis Retail and Supply Chain including Ancillary Companies

Career Development and Networking Opportunities Interview workers who self-identify as local, social equity-verified, and transitional (to help satisfy your good faith hiring requirements).

Job-Seekers can connect to full and part-time, event-based, seasonal, and temporary work and explore Career Pathways in the Cannabis Industry

Early Birds: Asynchronous Exploration and Video Tutorials starting April 21st.





Virtual Job Networking

Continuing engagement from the GROW Career Fair





### Capital Caseworkers Services:

- Access to Capital
- Financial Literacy Training
- Identify Available Commercial Property
- Develop Business Plans
- Investor Pitches

Launched in April of 2022\*

Final Report on Expansion coming June 2022\*



### LACBA Pro Bono Legal Assistance

Programming currently available to Phase 3 Retail Round 1 Applicants eligible for further processing.

Eligibility for Pro Bono Legal Services <u>now</u> includes Delivery-only Applicants deemed Eligible For Further Processing.

If you are interested PLEASE sign up on our website:

https://cannabis.lacity.org/social-equity-program/program-benefit-and-resources/probono-legal-services



**B** LOS ANGELES





Home > Social Equity Program > Program Benefit And Resources > Pro Bono Legal Services

The Los Angeles County Bar Association's Cannabis Section, in partnership with DC has created a Pro Bono Legal Assistance program which will operate through the Bar Association's Smart Law Referral Service or Social Equity Applicants.

The goals of this referral resource are to promote fair and equitable participation in the need commercial cannabis industry, and to foster a level playing field as it relates to access to legal counsel, and help deter preditory practices targeting the social equity community.

This referral service is available ONLY to Social Equity Applicants who applied in Phase 3 Retain Round 1 and were determined eligible for further processing under Los Angeles Municipal Code Section 104.06.1(b). Depending on demand and availability, these services may be expanded to other applicants in the future.

If you are a Phase 3 Social Equity Individual Applicant with an application deemed eligible for further processing and interested in receiving limited pro bono legal services, please complete the online survey titled "Pro Bono Legal Services Survey." You must complete the required information in the Pro Bono Legal Services Survey and upload the Authorization Agreement to the survey to complete the survey process. 46

# Summary of Activities to Date: SEED Grant Program





**ELEVATEIMPACTLA.COM** 

# Elevate Impact LA SEED Grant Survey Report April 2022







### Survey Background



In April 2021, Los Angeles established the Social Equity Entrepreneur Development (SEED) Grant Program to disburse \$6 million to Social Equity Entrepreneurs

Working with the Department of Cannabis Regulation, in early 2022 a survey was conducted of LA SEED Grant recipients

### Response Rate



At the time of this report, 84 out of 206 grant recipients responded to the survey, for a 40% overall response rate:

		Total	% of Total
	Survey	Grant	Grant
Grant Type	Respondents	Recipients	Recipients
SEED 1.0 (\$25K)	47	148	31.8%
SEED 2.0 (\$5k/\$10K)	<u>37</u>	<u>58</u>	63.8%
TOTAL	<u>84</u>	<u>206</u>	40.8%





		% of
	TOTAL	TOTAL
Store-front Dispensary	46	54.8%
Delivery-only Dispensary	26	31.0%
Cultivator	6	7.1%
Non-volatile Manufacturer	4	4.8%
Distributor	1	1.2%
Microbusiness	1	1.2%
TOTAL	84	100.0%

# Results





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### Survey Results



- ☐ The survey captured data in two ways:
  - ☐ Statistically via multiple choice questions
  - Qualitatively capturing recipient answers "in their own words"
- ☐ Data reveals that LA SEED Grant recipient businesses are:
  - Quite young
  - ☐ Need capital
  - Remain vulnerable
- ☐ This reports addresses some of the obstacles faced by SEED grant recipients

# What's Top of Mind for SEED Grant Recipients?







### SEED Businesses are quite young

Approximately 30% are operating & generating revenue

76% have less than 5 employees

52% do not have a state provisional license

32% offer health insurance

# SEED Businesses need capital



"What is the biggest problem you face?"

Need for capital (#1 answer)

"What has most helped your business?"

Grant funding (#1 answer)

"What type of Funding do you want"

66% want both grants & loans

32% only want grants

2% only want loans

"Have you received outside capital?

60% have yet to receive outside investment

"How did you spend your grant funds"

> 42% spent grant funds on rent (#1 answer)

### SEED Businesses remain vulnerable



69% have not been able to use a business checking account

 27% had an account that was closed 43% say competition from the unregulated market has most hurt their business

This was the #1 answer

# Recommendations







## How can the City of Los Angeles help?



Provide Capital

•35 Mentions

Help with Process

•23 mentions

Lower Taxes

•16 mentions

Decrease illegal competition

•6 mentions

Provide city support

•5 mentions

Access to banking

•4 mentions

Increase security

•3 mentions

Elevate Impact LA SEED Grant Survey Report April 2022

### Recommendations



### Provide Capital

Continue the grant program

Consider an interest-free loan program for later-stage businesses

## Help with DCR Process

Look for ways to decrease friction

# Combat illegal competitors

Become a vertically integrated micro business, exclusive to Social Equity Applicants

### Provide City Support

Share examples of how pro-bono legal assistance has been effective

# Access to banking

Continue the ACH grant distribution process

### Grant Recipient Quotes (p. 1 of 2)



"Getting to be one of the first social equity applicants has helped as it has allowed me to gain early market share." "Funding for buildout was most important; everything else is lining up. "My biggest accomplishment is actually being given the opportunity to participate in Los Angeles Cannabis market Handling multiple different applications processes with zero background on business development, and successfully acquired multiple license types." Elevate Impact

# "In their own words"





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## Grant Recipient Quotes (p. 2 of 2)



"The grant programs and pro Bono attorneys are great tools to help get started along with the information webinars and support from the DCR and LA seed grant."

"Social equity program has attracted investors who are willing to back me, but only under certain conditions."

"I'd like to thank DCR as well as the seed group who facilitated this grant process. I have put all my eggs in this basket and hope it turns out fruitful."

Elevate In.





# Agenda Item #5: END.

